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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Carrier Branch**

**RESOLUTION T-16942
September 22, 2005**

R E S O L U T I O N

Resolution T-16942. Approval of the California Teleconnect Fund (CTF) Administrative Committee Fund Budgets for FY 2006-07 and Revised FY 2005-06 to Comply with the Requirements of Public Utilities Code Sections 270-281.

Summary

This resolution adopts a budget of \$22,002,000 for fiscal year (FY) 2006-07 and a revised budget for FY05-06 of \$20,321,000 for the CTF Administrative Committee Fund.

On June 16, 2005, the California Teleconnect Fund (CTF) Administrative Committee (AC) filed with the Executive Director of the California Public Utilities Commission its proposed budget for July 1, 2006 through June 30, 2007.

Background

The California Teleconnect Fund was implemented under Decision (D.) 96-10-066 on October 25, 1996. In this decision, the Commission reaffirmed its commitment to universal service, and in accordance with state and federal directives, created the CTF to provide discounted rates for a family of telecommunications services for schools and libraries, government-owned health care providers and qualifying community based organizations.

In October 1999, PU Code sections 270-281 were codified as a result of the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677). Section 270(b) requires that the monies in the CTF and five other funds may only be expended pursuant to sections 270-281 and upon appropriation in the annual Budget Act.

On June 16, 2005 the CTF-AC submitted a letter to the Executive Director accompanying its budget of \$24.192 million for the July 1, 2006 through June 30, 2007 period. Due to conflict of interest issues, this budget was not adopted by a quorum of the CTF-AC

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membership. This budget request was filed in accordance with Paragraph 4.1 of the CTF-AC charter.

Notice/Protests

Notice of the AC's budget letter request was published in the Commission Daily Calendar of June 17, 2005. The Telecommunications Division (TD) received no protest to the letter request.

Discussion

In this Resolution, the Commission adopts the following:

- a revised budget for FY 05-06 of \$20,321,000 and
- the CTF program budget for FY 2006-07 in the amount of \$22,002,000.

Appendix A of this resolution shows the revised FY 05-06 budget to conform with appropriations adopted in the FY2005-06 State Budget.

Appendix B of this resolution shows the FY 2006-07 CTF budget as proposed by TD and by the CTF Administrative Committee in June 2005. TD's proposed FY 06-07 budget is approximately eight percent higher than the revised FY 05-06 budget, due primarily to higher claim expenses. The FY 06-07 budget includes enough funds to pay for audits, state overhead, outreach expenses and committee expenses. Of TD's \$22.002 million proposed budget for FY 2006-07, \$20.1 million is for payments and interest for claims submitted by the carriers providing CTF discounted services, \$460,000 for financial, compliance and surcharge remittance audits, \$20,000 for banking fees, \$32,000 for Advisory Committee expenses, \$890,000 for CPUC Administrative/Staff Costs, \$50,000 for programming and maintaining the electronic and monitoring systems, \$250,000 is for program outreach and \$200,000 for automation implementation.

TD's proposed budget differs from the AC budget for the following reasons:

TD adjusted the AC's claims estimates downward by approximately 5%. TD anticipates growth, but the growth anticipated is primarily for Community Benefit Organizations, who tend to have relatively low telecommunications expenses. However, TD's proposal for claims expense is approximately eight percent higher than the claims expense estimate in the revised FY 05-06 budget.

Audit expenses were adjusted down. TD worked with Department of Finance auditors to develop a realistic estimate of what each program could anticipate spending per year in audit expenses. The \$460,000 budgeted is a result of that estimate.

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Automation implementation expenses were adjusted down. This is the amount TD feels will be necessary for automating CTF functions as requested by the CTF-AC.

We expect the current surcharge rate of 0.16% (that is, a rate of 1.6 mills per dollar) to decrease in FY2005-06. Assuming no reserve balance, a billing base of \$20.388 billion, and smooth claim levels from month to month, a surcharge rate of approximately 0.0996 % will be required to support the \$20.321 million appropriation adopted in the FY 2005-06 State Budget .

Notice of Availability and Comments

In compliance with PU Code Section 311(g), the Commission had served a hard copy of prior resolutions regarding CTF budgets on all telecommunications carriers and the parties of record in R. 95-01-020/I95-01-021. To be consistent with the Commission's commitment to utilize the Internet for distributing Commission orders and information, the Telecommunications Division e-mailed a notice letter informing telecommunications carriers serving CTF customers, members of the California Teleconnect Fund Administrative Committee, and the parties of record in R. 95-01-020/I95-01-021 on the availability of this draft resolution as well as the conformed resolution, when adopted by the Commission, on the Commission web-site, www.cpuc.ca.gov/static/industry/telco/resolutions/index.htm.

No formal comments were received by the Telecommunications Division regarding this resolution.

Findings

1. In October 1999, Public Utilities Code (PU) Code Sections 270-281 were codified as a result of the enactment of Senate Bill 669.
2. PU Code Section 270(b) requires that the monies in California Teleconnect Fund (CTF) Administrative Committee Fund may only be disbursed pursuant to Sections 270-281 and upon appropriation in the annual Budget Act.
3. On June 16, 2005, the CTF Administrative Committee (AC) submitted their CTF Fiscal Year (FY) 2006-07 budget of \$24.192 million to the Executive Director.
4. The Telecommunications Division's proposed CTF Fiscal Year 2006-07 budget of \$22.002 million is reasonable and should be adopted.
5. The revised FY 05-06 budget of \$20.321 million, as set forth in Appendix A, conforms to the FY 2005-06 CTF appropriations and should be adopted.

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6. Telecommunications carriers serving CTF customers, members of the California Teleconnect Fund Administrative Committee, and the parties of record in R. 95-01-020/I95-01-021 were informed of the availability of the draft resolution as well as the conformed resolution, when adopted by the Commission, on the Commission web site, www.cpuc.ca.gov on August 9, 2005.

THEREFORE, IT IS ORDERED that:

1. The CTF FY 2006-07 budget of \$22,002,000 as set forth in Appendix B of this resolution is adopted.
2. The revised CTF FY2005-06 budget of \$20,321,000 as shown in Appendix A of this resolution is adopted.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 22, 2005. The following Commissioners approved it:

STEVE LARSON
Executive Director

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Appendix A
California Teleconnect Fund Expense Budget

| | FY 05-06 Adopted 2/24/05 per Res T- 16878 (\$000s) | FY 05-06 Revised 1/ (\$000s) | FY 06-07 Submitted by CTF-AC (\$000s) | FY 06-07 Proposed by TD (\$000s) | TD's FY 06- 07 Pct Chg from Res. T- 16878 | TD's FY 06-07 Pct Chg from FY 05-06 Revised | TD's FY 06-07 Pct Chg from CTF-AC 06-07 Budget |
|--|---|------------------------------------|--|---|--|---|---|
| PROGRAM EXPENSES | | | | | | | |
| Carrier Claims | 18000 | 18571 | \$21,000 | \$20,000 | 11.1% | 7.7% | -4.8% |
| Interest for Untimely Payment | 100 | 100 | \$100 | \$100 | 0.0% | 0.0% | 0.0% |
| Administrative Committee-Per Diem | 4 | 4 | \$4 | \$4 | 0.0% | 0.0% | 0.0% |
| Administrative Committee-Travel and Others | 21 | 21 | \$21 | \$21 | 0.0% | 0.0% | 0.0% |
| Administrative Committee-Special Needs Accommodation | 7 | 7 | \$7 | \$7 | 0.0% | 0.0% | 0.0% |
| Audits | 1200 | 1200 | \$1,200 | \$460 | -61.7% | -61.7% | -61.7% |
| Banking Fee | 50 | 50 | \$50 | \$20 | -60.0% | -60.0% | -60.0% |
| Interagency Cost | 0 | 0 | \$500 | \$600 | | | 20.0% |
| CPUC Staff Costs | 610 | 68 | \$610 | \$290 | -52.5% | 326.5% | -52.5% |
| Programming and Document Storage | 50 | 50 | \$50 | \$50 | 0.0% | 0.0% | 0.0% |
| Outreach | 250 | 250 | \$250 | \$250 | 0.0% | 0.0% | 0.0% |
| Automation Implementation | | | \$400 | \$200 | | | -50.0% |
| Total Program Expenses (sum of a thru o) | 20292 | 20321 | \$24,192 | \$22,002 | 8.4% | 8.3% | -9.1% |

1/ To conform with appropriations adopted in the FY 2005-06 State Budget.

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Appendix B**California Teleconnect Fund**

PUBLIC PROGRAM BUDGET DEVELOPMENT (\$000s)
 FOR FISCAL YEAR 2006-2007
 (July 1, 2006 through June 30, 2007)

| | | Submitted by CTF-AC | Proposed by TD | Adopted 9/22/05 |
|---|---|--------------------------------|---------------------------|----------------------------|
| | PROGRAM EXPENSES | | | |
| a | Carrier Claims | \$21,000 | \$20,000 | \$20,000 |
| b | Interest for Untimely Payment | \$100 | \$100 | \$100 |
| c | Administrative Committee-Per Diem | \$4 | \$4 | \$4 |
| d | Administrative Committee-Travel and Others | \$21 | \$21 | \$21 |
| | Administrative Committee-Special Needs | | | |
| e | Accommodation | \$7 | \$7 | \$7 |
| f | Audits | \$1,200 | \$460 | \$460 |
| g | Banking Fee | \$50 | \$20 | \$20 |
| h | Interagency Cost | \$500 | \$600 | \$600 |
| i | CPUC Staff Costs | \$610 | \$290 | \$290 |
| j | Programming and Document Storage | \$50 | \$50 | \$50 |
| k | Outreach | \$250 | \$250 | \$250 |
| l | Automation Implementation | \$400 | \$200 | \$200 |
| m | Total Program Expenses (sum of a thru o) | \$24,192 | \$22,002 | \$22,002 |